



# AFFORDABLE HOUSING STRATEGIES

State-of-the-Practice in Ten Utah Cities

**JUNE 2020**

This guide discusses over two dozen affordable housing tools employed nationally and by ten of Utah's largest cities: Lehi, Ogden, Orem, Park City, Provo, Salt Lake City, Sandy, South Salt Lake, West Jordan, and West Valley City. Our thanks to Cameron Diehl, Baylee White, James Wood, Ted Knowlton, Meg Ryan, Hal Johnson, and our Technical Advisory Committee for their helpful comments and suggestions on an earlier draft of this guide.





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**About the Metropolitan Research Center**

The mission of the Center is to conduct pioneering research that responds to pressing public issues by providing evidence used locally and nationally to improve decisions affecting the built environment and access to opportunity. This report was commissioned by our own Technical Advisory Committee. For more info visit: <http://mrc.cap.utah.edu/>

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# Table of Contents

<b>Introduction.....</b>	<b>1</b>
<b>Affordable Housing in Utah.....</b>	<b>4</b>
<b>Federal Programs.....</b>	<b>5</b>
Federal Housing Tax Credits.....	5
Housing Choice Voucher Program (Section 8).....	6
Community Development Block Grants (CDBG).....	6
USDA Housing Assistance.....	7
Public Housing.....	7
<b>Local Programs.....</b>	<b>8</b>
<b>Financial Tools.....</b>	<b>8</b>
Waiving/Reducing Impact Fees.....	9
Tax Abatement.....	10
Tax Increment Financing Reimbursements.....	10
Local Rent Supplement/Assistance Program.....	11
Home Purchase Assistance Program.....	12
Housing Trust Funds.....	13
Community Land Trust (CLT).....	15
Preservation of Long-Term Affordable Housing/Housing Rehabilitation Programs..	16
<b>Policy Tools.....</b>	<b>17</b>
Update Zoning Code.....	18
Density Bonus.....	19
Form-Based Code.....	20
Inclusionary Zoning.....	21
Reduced Parking Requirements.....	22
Preserve Existing Deed-Restricted Affordable Housing.....	24
Accessory Dwelling Units.....	26
Expedited Permitting.....	27
Transfer of Development Rights.....	29
<b>Other Tools.....</b>	<b>30</b>
Employer-Assisted Housing.....	30
Public Private Partnerships.....	32
Educate Residents on Housing Affordability Issues.....	33
Housing Plus Transportation (H+T).....	34
<b>Conclusion.....</b>	<b>37</b>

## Introduction

The need for housing that is affordable has been steadily growing over the past several decades. Compared to the 1960s when relatively few households devoted over 30 percent of income for housing, about 37 million households in 2017 spent more than 30 percent and 18 million spent over 50 percent.<sup>1</sup> Current regulatory restrictions—such as parking requirements, height restrictions, density limits, lengthy permitting processes, not in my back-yard opposition, for instance—have become major barriers to developing affordable housing.<sup>2</sup> In addition, condominium conversion and gentrification reduces the supply of entry level housing for homeowners and multifamily rental housing—especially in growing urban areas. Moreover, the decline in production for first-time buyers and multifamily rental housing and tight affordable for-sale and rental housing markets (i.e., low vacancy rates) are major contributors to the shortage of affordable housing.

This report was created by the Metropolitan Research Center (MRC) as a state-of-the-practice on affordable housing tools employed by ten of Utah’s largest cities. Those cities are Lehi, Ogden, Orem, Park City, Provo, Salt Lake City, Sandy, South Salt Lake, West Jordan, and West Valley City. The goal is to understand better what incentives, policies, and tools these local governments use to stimulate the development of affordable housing. We developed the research in light of the current affordable housing crisis in the state and on the request of the MRC Technical Advisory Committee. The ten cities selected were chosen because of their location on or near the Wasatch Front and their large populations. We selected cities that might be facing similar urban issues due to population size and geography to see how they compare in which strategies they use.

As a starting point, we reviewed each city’s Moderate Income Housing Element (MIHE) plans and reports for strategies and tools listed. We understand the limitations of the MIHE for a count of affordable housing units produced, but our research question was different: What strategies and tools are being used, and the MIHE answers that question rather nicely.

We also researched national affordable housing best practices. With this information, we drafted a matrix of approaches that cities are taking to promote affordable housing. We divided the list of tools into three categories: financial, policy/regulatory, and social/other. This matrix was emailed to planners in each of the cities for verification and accuracy. The analysis for this study is based on a combination of primary and secondary data including the following:

- Surveys, email correspondence, and conversations with staff and key stakeholders of Lehi, Ogden, Orem, Park City, Provo, Salt Lake City, Sandy, South Salt Lake, West Jordan, and West Valley City.
- Documents from the above ten cities including comprehensive plans, annual reports, meeting minutes, and other publicly available documents.
- Publications from main actors in Utah including the Kem C. Gardner Policy Institute (e.g., *What Rapidly Rising Prices Mean for Housing Affordability*, 2018), the Utah League of Cities and Towns (e.g., *Keys to Housing Policy in Utah*, 2018), the Salt Lake

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<sup>1</sup> The White House (2019) “Executive Order Establishing a White House Council on Eliminating Regulatory Barriers to Affordable Housing.” <https://www.whitehouse.gov/presidential-actions/executive-order-establishing-white-house-council-eliminating-regulatory-barriers-affordable-housing/>.

<sup>2</sup> HUD USER. 2019. “Regulatory Barriers and Affordable Housing Quarterly Update.” 2019. <https://www.huduser.gov/portal/pdredge/pdr-edge-featd-article-072318.html>

Chamber of Commerce Housing Gap Coalition, State of Utah Department of Housing and Community Development, and the Utah Housing Coalition.

- Peer reviewed publications and published reports and data of national interest available via the Internet to document affordable housing tools such as HUD User, Harvard’s Joint Center for Housing Studies, National Low-Income Housing Coalition, the Lincoln Institute, etc.

**A**cross the ten municipalities, we found common themes and goals related to providing a range of housing types, styles, sizes, and price levels, including creating the “missing middle” forms of housing like duplexes, triplexes, condominiums, and townhomes through infill housing in walkable neighborhoods. Reinvesting in older neighborhoods and rehabilitating current housing stock were also common goals, especially in cities where housing prices are more affordable. Supplying housing that serves different life cycle stages and conditions, including students, seniors, people with disabilities, and others requiring specialized facilities, was a common goal. We also found that the tools and strategies municipalities employ reflects each city’s unique preferences and political will for affordable housing that can be influenced by public opinion. Tools and strategies are summarized in the following table.

Figure 1: 2017 financial, policy/regulatory, and social/other. Source: Authors.

Tools:	Salt Lake City	South Salt Lake	Provo	West Valley City	Orem	Park City	Ogden	Sandy	West Jordan	Lehi	Total
<b>Financial</b>											
Local Tax Credits	No	No	Yes	No	Yes	No	No	No	No	No	2
Waiving/Reducing Impact Fees	Yes	Yes	No	No	No	Yes	No	No	No	No	0
Tax Abatement	No	No	No	No	No	No	No	No	No	No	0
Tax Increment Financing Reimbursements	Yes	No	Yes	Yes	No	No	Yes	No	Yes	No	5
Local Rent Supplement Program	No	No	No	No	No	No	No	No	No	No	0
Home Purchase Assistance Program	Yes	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes	7
Housing Trust Fund or Community Land Trust	Yes	No	No	No	Yes	Yes	No	No	No	No	3
<b>Policy</b>											
Create Affordable Housing Plan/Model	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	10
Update Zoning Code to allow higher density, or smaller lots (and infill ordinances), or looser requirements for materials on older houses	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	10
Form-Based Code	Yes	Yes	No	No	No	Yes	No	No	No	No	3
Inclusionary Zoning	No	No	No	No	No	Yes	No	No	No	No	1
Density Bonuses	Yes	Yes	Yes	No	No	Yes	No	No	No	Yes	5
Reduced Parking Requirements	Yes	Yes	Yes	No	No	Yes	No	Yes	No	No	4
Preserving existing deed-restricted affordable housing	Yes	No	No	No	No	Yes	No	Yes	No	No	3
ADU Ordinance	Yes	No	Yes	No	Yes	No	Yes	Yes	No	Yes	6
Expedited Permitting	Yes	Yes	No	No	No	No	No	No	No	No	2
Transfer of Development Rights	No	No	No	No	No	No	Yes	No	No	No	1
<b>Social/Other</b>											
Employer-Assisted Housing (EAH)	No	No	No	No	No	Yes	No	No	Yes	No	2
Preservation of Long-Term Affordable Housing/Housing Rehabilitation Program	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	8
PPP (Public Private Partnerships)	No	No	No	No	No	Yes	No	No	Yes	No	2
Educate Residents on Housing Affordability Issues	No	No	No	No	Yes	Yes	Yes	No	No	No	3
City Public Housing	Yes	Yes	Yes	No	No	No	No	No	No	No	3

This document is organized into the following sections: a short history of affordable housing policy in Utah, an overview of overarching goals found in the MIHE plans examined, federal programs commonly used to develop affordable housing, description of tools employed with examples from the ten cities and/or other national cities in a matrix format, and finally, a concluding section. While we have separated tools into distinct categories, there may be overlap between them.

For example, “create ADU ordinance” and “reduce parking requirements” are part of updating a city’s zoning code, but we have “update zoning” explained as a tool on its own. Similarly, “density bonuses” are explained on their own, but many “inclusionary zoning” policies include density bonuses so that overall allowed density is based on how much affordable housing a project contains. **Definitions**

Below we offer some definitions of affordable housing terms:

- **Housing affordability** is defined by Housing and Urban Development (HUD) as the costs not exceeding 30 percent of the household’s gross income, regardless of the housing price. Reasonable utility costs are included in the definition.
- **Area Median Income (AMI)** is the median household income adjusted by county or metropolitan area.
- **Moderate income housing (MIH)** is housing that is affordable for households earning 80 of the AMI.
- **Low-income housing (LI)** is housing that is affordable for households earning 50 percent of the AMI.
- **Very low-income housing (VLIH)** is housing that is affordable for households earning 30 percent of the AMI.

## Affordable Housing in Utah

In 2018, the Gardner Business Review released a report on how rapidly rising prices affect home affordability.<sup>3</sup> It found that as house prices and rents have grown quickly, wages and supply have not kept pace, resulting in many households unable to find affordable housing. The households most affected have been those below the median income level—many of the most vulnerable residents in our communities. The key drivers highlighted in the report included a construction labor shortage, increased costs of construction and materials, and rising land prices, all of which are beyond the control of local governments. Finally, it concluded that high and increasing housing prices could take a negative toll on other important economic outcomes like the state’s competitiveness for employers and employees.

Only since the 1990s has affordable housing been prioritized by the Utah Legislature. The Providing Affordable Housing Act, passed in 1996, requires municipalities and counties to create and adopt comprehensive, long-range general plans that have a moderate-income housing element in addition to the other land use and transportation elements more typically seen in general plans.

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<sup>3</sup> Wood, James, Dejan Eskic, and D.J. Benway (2017). “What Rapidly Rising Prices Mean for Housing Affordability.” Gardner Business Review.



The housing element intends “to provide an analysis and identification of existing and prospective housing needs, especially for middle-, moderate-, and low-income housing, in its housing region and to set forth implementing measures for the preservation, improvement, and development of housing.”<sup>4</sup> It required cities to determine their five year need for affordable housing and adopt a measures in General Plan to meet needs. There never was full compliance with SB295.

The 2019 legislative session saw renewed interest in promoting affordable housing for the state. SB34 incentivized cities to adopt at least three of 23 possible affordable housing strategies (four strategies for cities with fixed guideway transit). Those that don’t meet this requirement stand to lose out on part of the state’s \$700 million in annual transportation investment funds.<sup>5</sup> The bill also proposed a one-time injection of \$20 million of funding into the Olene Walker Housing Loan Fund, with ongoing funding of four million dollars per year. This fund typically provides gap funding to developers for the creation of affordable housing in the state. This funding was not included in the final law.

## Federal Programs

### Federal Housing Tax Credits

The federal government uses various tax credit programs to incentivize the construction and rehabilitation of low-income housing. The Low-Income Housing Tax Credit (LIHTC) and the Historic Tax Credit (HTC) are the most commonly used programs for the creation of affordable housing units. LIHTC supports the majority (approximately 90%) of all affordable rental housing in the United States.<sup>6</sup> Aside from the federal program, some states also have their own version of a low-income housing tax credit. LIHTC is typically used for the production or the rehabilitation of multi-family housing developments. The sale of tax credits leads to the reduction of the property’s mortgage which consequently lets the property owner offer affordable housing at a lower rent level.

The Historic Tax Credit (HTC) is another tax credit enacted in 1981 for restoring historic structures. HTC can help current private property owners or new developers finance the rehabilitation and re-use of historic structures with a 20 percent tax credit for qualified expenses. HTC’s can help to increase or preserve a community’s housing stock and foster the redevelopment of older neighborhoods which also tend to be mixed-use and walkable.

### Housing Choice Voucher Program (Section 8)

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<sup>4</sup> American Planning Association. (2002). Section 4-208.9: Contents of a housing element. In Stuart Meck (ed.), *Growing smart legislative guidebook*, 2002 Edition (pp. 4.92-4.95). Chicago, IL: American Planning Association.

<sup>5</sup> McKellar, K. (2019, February 2). Utah Lawmaker Pushing Bill Requiring Cities to Zone Affordable Housing If They Want State Dollars. KSL.com. Retrieved from <https://www.ksl.com/article/46481896/utah-lawmaker-pushing-bill-requiring-cities-to-zone-affordable-housing-if-they-want-state-dollars>

<sup>6</sup> The New York Times (2012). “A Tax Credit Worth Preserving.” [https://www.nytimes.com/2012/12/21/opinion/a-tax-credit-worth-preserving.html?\\_r=0&mtrref=en.wikipedia.org&gwh=DC902E3D9CAAF0EBDB66B60F02075D57B&gwt=pay&assetType=REGIWALL](https://www.nytimes.com/2012/12/21/opinion/a-tax-credit-worth-preserving.html?_r=0&mtrref=en.wikipedia.org&gwh=DC902E3D9CAAF0EBDB66B60F02075D57B&gwt=pay&assetType=REGIWALL).

The Housing Choice Voucher Program (HCVP), often known as Section 8, is a rental assistance program by the federal government which was created in the 1970s for increasing affordable, decent, safe and sanitary housing for low-income people. Since its creation, it has been one of the main ways that low-income families with children, the elderly, and people with disabilities can obtain housing stability.

This program helps families or individuals afford privately-owned rental housing of their choice. Vouchers are either tenant-based, meaning they are given to families or individuals, or project-based, meaning they are tied to a unit or housing complex. For tenant-based vouchers, program participants have to find units that accept vouchers and meet the program's health, safety and other physical condition requirements within sixty days of receiving the voucher. The unit owner also must agree to rent under the program's guidelines. Usually 30 percent of the rent is paid by the tenant and the rest is paid by the local public housing agency that manages the household's voucher.

U.S. Department of Housing and Urban Development (HUD) provides the local public housing agencies with federal funding for the program based on the estimated cost of vouchers in use and the administrative costs of the agencies. The agencies then distribute the vouchers to those who apply. Around 2,600 state, regional, and local housing agencies are administering HCVP.

Many cities in Utah, like Provo, West Valley City, and Ogden, have created housing agencies that offer HCVP. The West Valley City Housing Authority administers the HCVP in West Valley City. Through a jurisdictional agreement with the other two housing authorities in the county, the program allows the participants to reside any place within the Salt Lake County boundaries. The housing authority has been operating on a budget below the amount that is demanded for several years which makes the waiting time for applicants very long, approximately 3 to 5 years.

## Community Development Block Grants (CDBG)

Community Development Block Grants (CDBG) were enacted in 1974 with the goal of providing funds to cities and counties to tackle the unique challenges they face in their regions. The funds are provided by the U.S. Department of Housing and Urban Development (HUD) to meet challenges of affordable housing, infrastructure programs, job and business creation, and other community development activities. There are different forms of CDBG programs. The CDBG Entitlement Program allocates federal funds directly to cities and counties based on population estimates, poverty rates, housing overcrowding, age of housing and other measures. The program aims to offer housing opportunities to low- and moderate-income earning individuals.

According to HUD's guidelines, eligible grantees on an annual basis include: (1) Main cities with populations of at least 50,000 in Metropolitan Statistical Areas (referred to as Entitlement Cities), (2) cities that are not in an MSA but with populations of at least 50,000, and (3) qualified urban counties with populations of at least 200,000. To qualify cities and counties need to submit to HUD a Consolidated Plan, among other documentation. Once granted CDBG funds, awardees need to comply with the requirements such as making sure that there is community participation and that the funds are spent in a timely manner and reach the most critical needs and populations of the community.

## USDA Housing Assistance

The US Department of Agriculture (USDA) provides housing support in rural areas in the form of funding and technical assistance. USDA has different programs for individuals and families living in rural communities.

The Single Family Housing Direct Home Loan Program and the Single Family Housing Guaranteed Loan Program are both dedicated to helping households to become homeowners. Under the former, USDA provides a subsidized loan to low-income families in rural areas and thereby reduces their mortgage payment for a short period, which increases their ability to fully repay the loan.

Under USDA's Mutual Self-Help Housing program, participants provide 65% of the labor for new homes allowing for very favorable lending terms and low cost for homes. Utah has about 500 self-help homes. USDA's Rural Development 515 program provides project based housing, with vouchers tied to units. There are several 515 projects throughout rural areas in Utah providing deep subsidies to income qualified tenants.

Under the Multi-Family Housing Rental Assistance Program, USDA offers financial assistance for rent payments to older adults, people experiencing disabilities and low-income residents.

Local and state governments, nonprofit groups, associations, nonprofit private corporations and cooperatives, and Native American groups can also receive loans and grants from USDA for building and repairing multi-family housing units. The grants available for these organizations are Farm Labor Housing Direct Loans and Grants, Housing Preservation Grants, Multi-Family Housing Direct Loans, Mutual Self-Help Housing Technical Assistance Grants and Rural Housing Site Loans.

## Public Housing

Public Housing is one of the oldest affordable housing strategies in the United States aimed for providing decent and safe rental housing for low-income households. This subsidized assistance is available for eligible households at rents below the market rate, where the tenant pays 30 percent of income for housing and utilities. Local housing authorities administer and manage public housing in respective regions with funding from HUD.

Public housing is allocated to applicants based on income eligibility. For developments built or acquired before 1981, the income is to be at or below 80 percent of the Area Median Income (AMI) and for developments built or acquired after 1981, the income is to be at or below 50% of the Area Median Income (AMI).

In Provo, public housing is managed by the Provo City Housing Authority (PCHA). PCHA owns and manages 248 units of Public Housing. The units are of different sizes located at 26 different sites. 140 of them are for families and 108 of them are older adults, 62 years or older. The rent is determined based on 30 percent of the gross adjusted household income.

Many public housing developments have been demolished and substituted for less dense-mixed income and mixed-use development. The federal government, where the funding for public housing is coming from, has diverted funds into programs such as the Housing Choice Voucher Program.

## Local Programs

### Financial Tools

This section considers eight tools available state and local governments so they can successfully achieve their affordability goals. The section will first focus on Waiving/Reducing Impact Fees, which is a one-time developer fee that municipalities can apply to help fund the cost of public goods and services.

Tax Abatement and Tax Increment Financing (TIF) Reimbursements, which target tax revenues, are discussed next. Tax abatements reduce or entirely eliminate property taxes to developers who incorporate affordable housing within their projects. TIFs are a widely utilized tool where bonds can be issued to fund the redevelopment of a designated TIF district, usually a low-income and high poverty area. Although traditionally it has been used for economic development purposes, some cities, towns, and counties are starting to see the value of using TIF as an instrument to build affordable housing.

Next, Local Rent Supplement/Assistance Programs (LRSPs) and the Home Purchase Assistance Programs (HPAPs) are considered. A LRSP provides monthly rental subsidies to extremely low-income individuals and families—with incomes below 30 percent of AMI. HPAP usually provides down-payment assistance to moderate or low-income first-time home buyers, although some programs aid repeat buyers.

In the second half of this section we will introduce Housing Trust Funds (HTFs) and Community Land Trusts (CLTs). HTFs are established by a state or local jurisdiction. They are highly flexible, meaning that they can be used for rental housing, rehabs, homeownership programs etc. Each jurisdiction establishes their priorities as well as how to fund them. For example, a state or local jurisdiction might dedicate one cent from gas or cigarette taxes, capture a percentage of funding from gambling or rely on real estate fees each time that a house is sold. CLTs create homeownership opportunities for moderate to low-income households. Under this model the household owns the housing structure, but not the land, making the home more affordable—given that land cost averages about 20 percent of the property value. Usually, the land is owned by a non-profit corporation (sometimes it can be owned by the city) which also stipulates in a covenant that when the home is re-sold it needs to be maintained affordable. Owners gain limited equity, allowing the home to be maintained affordable for the next homeowner.

Finally, we will discuss the Preservation of Long-Term Affordable Housing/Housing Rehabilitation Programs. This tool focuses on maintaining affordability of subsidized projects (e.g., LIHTC with a 15-year expiration date) as well as Naturally Occurring Affordable Housing (NOAH), by providing loans and grants to rehabilitate and repair the existing affordable housing stock.

Together, these eight tools provide a powerful arsenal of possibilities to maintain and introduce housing finance innovation in Utah cities and towns. We will describe each one below in more detail. For each strategy we provide the following information (1) a brief description, (2) how the strategy is administered and funded, (3) where the strategy is used in Utah, (4) where the strategy is used outside of Utah and (5) additional references or sources of information about the strategy.

### Waiving/Reducing Impact Fees

#### Strategy description

To reduce overall costs of new housing, some cities waive or reduce impact fees associated with affordable housing developments. Some cities employ a sliding scale for fees depending on how affordable the new units are. Units geared toward those earning 30% of AMI might have lower impact fees than units targeting those earning 80% of AMI. Impact fees may also vary based on housing location. Urban infill developments may command a lower fee than developments built in the suburbs or areas where infrastructure may not exist. In Utah, state law provides guidelines for when cities can waive impact fees. Specifically, a local political subdivision may include a provision in an impact fee enactment that provides an impact fee exemption for low income housing.

#### How the strategy is administered and funded

Municipalities charge developers impact fees to pay for the mitigation of new development's expected impacts. These one-time fees help pay for new and expanded infrastructure like roads, sewers, water lines, parks and sometimes schools serving a development. Impact fees vary by city but can add significantly to the total cost of housing.

#### Where the strategy is used in Utah

South Salt Lake's 2010 General Plan recommended that impact fees be waived on a case-by-case basis to promote affordable housing. While the City has not formalized this practice, it is considering waiving "the parks impact fee if a developer of affordable housing commits to provide an equivalent value of project open space above what is required by the ordinance."<sup>7</sup> Another possible approach listed is rebating required impact fees in Urban Renewal Areas in order to meet the City's Redevelopment Agency participation requirements. This is another way the City is enabling the production of affordable housing in redevelopment areas. Salt Lake City waives these fees if they can verify that they have a deed restriction/LURA and have the budget for it. Park City also waives fees for affordable housing.

#### Where the strategy is used outside of Utah

Outside of our region, Santa Fe, NM, offers impact fee waivers for development in which at least 25 percent of the units are affordable for low-income households. Once the developer confirms the sales specifications meet affordable housing standards, the City reimburses the fees.

#### Sources of information about the strategy

- "APA Policy Guide on Impact Fees." 2019. American Planning Association. Accessed October 13, 2019. <https://www.planning.org/policy/guides/adopted/impactfees.htm>.
- "The Effects of Development Impact Fees on Local Fiscal Conditions." 2009. LILP. Accessed October 13, 2019. <https://www.lincolnst.edu/publications/conference-papers/effects-development-impact-fees-local-fiscal-conditions>.

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<sup>7</sup> South Salt Lake. (2016). 2016 Moderate Income Housing Plan.

- “Fee Waivers.” *Inclusionary Housing*. Accessed October 13, 2019. <http://inclusionaryhousing.org/designing-a-policy/land-dedication-incentives/fee-waivers/>

### Tax Abatement

#### Strategy description

Tax abatement is a tool usually employed to promote economic development, however sometimes it is also used to stimulate affordable housing development. It is tax elimination or reduction granted by governments to target growth in certain targeted communities.

#### How the strategy is administered and funded

It applies to property taxes and can provide significant savings over the time it is in effect. It is applied to single and multifamily homes and commercial properties. For developers, it can allow them to take on more debt making a project possible that might not otherwise be financially feasible.<sup>8</sup>

#### Where the strategy is used in Utah

In Utah, the State needs to approve tax abatements. State law does not authorize localities to use this tool. Therefore, none of the 10 Utah jurisdictions featured in this report reduces or waives property taxes for affordable housing.

#### Where the strategy is used outside of Utah

New York City has a robust tax abatement program for multifamily buildings that are renovated or rehabilitated and follow specific affordable housing requirements. The program also extends to buildings that are converted from nonresidential uses. Affordable housing projects can qualify for a 34-year exemption on higher taxes that result from improvements. This tax break makes it possible for owners to recover funds from the costs of renovations. The program was so successful that from 1980 to 2006, more than 2.4 million units received upgrades and system replacements as a result of the program.<sup>9</sup>

Portland also uses tax abatement programs for achieving its affordable housing goals. Similar to New York City, Portland provides this tax incentive for rental home rehabilitation. It also supports construction of owner-occupied homes in certain opportunity areas and nonprofit ownership of affordable rental units. From 2010-2011, nearly 14,000 homes received a tax abatement benefit.<sup>10</sup>

#### Sources of information about the strategy

- “Tax Abatement.” 2019. *Inclusionary Housing*. Accessed October 13, 2019. <http://inclusionaryhousing.org/designing-a-policy/land-dedication-incentives/tax-abatement/>.
- “Property Tax Abatements.” 2019. LILP. Accessed October 13, 2019. <https://www.lincolnst.edu/publications/multimedia/property-tax-abatements>.

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8 <https://site.utah.gov/ulct/wp-content/uploads/sites/4/2018/06/Keys-to-Housing-Report.pdf>

9 Attachment 2 - Overview of Best Practices in Affordable Housing

10 <https://www.portlandoregon.gov/phb/26428>



### Tax Increment Financing

#### Strategy description

Tax increment financing (TIF) is a popular mechanism for addressing housing needs, revitalizing blighted neighborhoods, improving infrastructure and utilities, boosting economic development, commercial activity and job creation. Usually, an area is designated as eligible for TIF funds when there is little chance of development without government intervention in that area. The area can be a blighted neighborhood or an underdeveloped one.

#### How the strategy is administered and funded

Before the investment takes place in this area, the base tax rate is assessed. After the development takes place, the property tax in the TIF area increases. This increment in tax revenue goes into a local government or development authority fund that reinvests it in the same area. Local governments can provide financial assistance to affordable housing developers through the increased property taxes attributable to the new real estate development. These funds have also been used to support public-private partnerships, pay for costs associated with construction and development, land acquisition, site improvements, and environmental remediation.

#### Where the strategy is used in Utah

Many Utah cities use TIFs because an affordable housing 10% set aside is a required component for RDAs and CRAs. In Salt Lake City, TIFs only get applied in Community Redevelopment Areas (CRAs), unless the project type is affordable housing which can be financed anywhere in the city. For example, the RDA just designated the Northwest Quadrant as a Community Redevelopment Area where TIF is authorized. The RDA will retain 75 percent of the City's portion of TIF funds from this project, and will use 10% for affordable housing projects throughout the city.

#### Where the strategy is used outside of Utah

The City of Chicago promotes public and private TIF investments across the city. Funds are used for a variety of purposes—from building and repairing roads and infrastructure to cleaning brown fields to developing affordable housing projects. An affordable rental housing development was recently approved for \$4.2 million in TIF for artists earning up to 60 percent of area median income.<sup>11</sup>

#### Sources of information about the strategy

- National Housing Conference. 2017. "How TIFs Can Be Used for Affordable Housing." April 19, 2017. <https://www.nhc.org/policy-guide/tax-increment-financing-the-basics/how-tifs-can-be-used-for-affordable-housing/>.

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<sup>11</sup> Koziarz, Jay. 2019. "Affordable Artist Housing Project Inches Forward in Humboldt Park." Curbed Chicago. June 13, 2019. <https://chicago.curbed.com/2019/6/13/18663338/humboldt-park-affordable-artist-housing-paseo-boricua>.

## Affordable Housing Strategies

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- Family Housing Fund. 2015. “Utilize Tax Increment Financing (TIF) to Fund a Mix of Housing.” Accessed October 13, 2019. <https://www.fhfund.org/report/tif/>

### Local Rent Supplement/Assistance Program

#### Strategy description

While federal subsidies are responsible for the majority of rental assistance programs and are administered through local housing authorities, some local governments also provide their own form of rental assistance to low-income families. Short term programs are most common, vary in duration, and can be used for emergency housing. They provide critical assistance during periods of unemployment or other unexpected difficulties.<sup>12</sup>

#### How the strategy is administered and funded

Local Rent Supplement/Assistance Programs can be funded in many ways. They are established at various jurisdictional levels and geographic scales (towns/cities, counties/regions, states, etc.). There is considerable variation among them since different jurisdictions have different target populations, different policies governing funding sources, and different organizational structures. In all cases, however, they serve as a vehicle to produce new and/or maintain existing affordable housing resources. The enabling legislation or ordinance establishes a broad set of rules to govern the use and operation of funds and provides guidance on the types of activities covered.

#### Where the strategy is used in Utah

While some housing authorities administer federally funded rental assistance programs in the ten cities we researched, no city operates its own local program. Cities may not have a process for providing rental assistance and many would argue that the role of local government is to plan for housing but not pay for housing.

#### Where the strategy is used outside of Utah

Frederick County, Maryland has a Rental Allowance Program (RAP), which provides rental assistance payments to low-income families during critical or emergency times. The assistance can last up to six months and the goal of the program is to help people move into self-sufficiency during transitional periods.<sup>13</sup>

#### Sources of information about the strategy

- National Low Income Housing Coalition. 2014. “Local Rent Supplement Program.” April 9, 2014. <https://reports.nlihc.org/rental-programs/catalog/local-rent-supplement-program>.

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<sup>12</sup> Washington Area Housing Partnership

<sup>13</sup> Toolkit for Affordable Housing Development.



### Home Purchase Assistance Program

#### Strategy description

Home ownership is one of the greatest wealth growth assets people will have in their lifetimes. Home purchase assistance programs are designed to make home ownership a reality for lower-income people. These programs provide interest-free or low-interest loans available to qualified low- and moderate-income homebuyers. To qualify, homebuyers often need to be a first-time homeowner, have low to moderate income levels based on the local AMI, and intend to use the home as a primary residence for a certain number of years. These loans can be used for down payments or closing costs. Some programs even make the loan forgivable if the property remains the primary residence over a number of years. These programs can be location-specific, for example, available only to those near transit stations.

#### How the strategy is administered and funded

There are several ways in which this strategy can be implemented, managed, and funded. States, cities, districts, other municipalities or specific employers can provide housing funds. They can do this either independently or as a joint venture/partner with other employers to create a shared program. States and local governments often help fund these programs through tax credits, direct financing, loans, or a combination of these.

#### Where the strategy is used in Utah

Based on the 10 cities' MIH elements, Salt Lake City, Provo, Park City, Ogden, Sandy, West Jordan and Lehi (a member of the Utah Valley HOME Consortium) have Home Purchase programs.

Provo City Redevelopment Agency is offering a mortgage loan product to assist income-eligible families to become homeowners called "Home Purchase Plus." The down payment, deferral assistance program started in 2000 and is supported by private, state, and federal funds. It is administered through Provo's Redevelopment Agency and provides zero-interest loans up to \$10,000 to first-time home buyers. Buyers must also contribute \$1,000 of their own money. Buyers do not need to pay back the loans until the home is no longer their primary residence. If this happens within two years of purchase, they must pay a \$5,000 pre-payment penalty.

#### Where the strategy is used outside of Utah

The Portland Housing Bureau (PHB) Home Purchase Assistance Program (HPAP) allows approved mortgage lenders the ability to offer home buyers financial assistance that can be used for down payments, closing costs, and prepaid mortgage insurance in exchange for charging an increased interest rate on their 30-year mortgage. The City will act as a sponsor for lenders who wish to offer this product to their buyers. This is a Freddie Mac pilot product only offered to lenders who partner with a Housing Finance Agency (HFA), which is a government authority established to help meet the affordable housing needs of the residents in its jurisdiction. PHB was selected as one of five initial HFAs to sponsor this program.

### Sources of information about the strategy

- Provo RDA Home Purchase Plus Program Underwriting Criteria (<https://www.provo.org/home/showdocument?id=11961>)
- Provo redevelopment agency (<https://www.provo.org/departments/redevelopment/services/home-purchase-plus-program>)
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## Housing Trust Funds

### Strategy Description

Among the most powerful tools for affordable housing are housing trust funds (HTFs). HTFs can be operated at the city, county, or state level. They secure ongoing dedicated public funds for critical housing needs. While there were only a handful in the late 1970s, the number grew significantly in the 1990s when federal funds for affordable housing began to shrink. The number doubled in the seven years between 2000 and 2007, and almost tripled by December 2011, reaching to 719. At the national level, a HTF was created by Congress in 2008 to complement existing federal, state, and local efforts to preserve and produce affordable housing.

Utah’s state housing trust fund is the Olene Walker Housing Loan Fund. The fund is used to develop housing for very low-income, low-income, and moderate-income people. In 2018 the fund assisted in the development of 864 units. Cities can also administer housing trust funds, and in 2018, revenue generated by city HTFs exceeded one billion dollars.<sup>14</sup> Developer fees are the most common revenue source collected, but revenue can also come from penalties on late payments of real estate taxes and some portion of the local real estate transfer tax.<sup>15</sup> The governing body of each housing trust fund makes decisions on how to spend the funds. For example, some boards favor subsidizing home purchase down payments for low to moderate income residents. There are also interest-free loans and gap financing which are intended to create and preserve affordable housing.

Good to know that, at least half of the HTFs resources must be used to serve households with “extremely low incomes,” at or below 30 percent of the median income in their geographic area. At least 40 percent of the funds must go toward housing assistance in small cities and rural areas.

### How the strategy is administered and funded

There are HTFs in every single state, and they rely on a wide range of funding sources. The National Housing Trust Fund, created in 2008, can support numerous state-level housing activities if Congress appropriates funding for it. Most states also fund their own HTFs. Some state trust

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<sup>14</sup> <http://housingtrustfundproject.org/housing-trust-funds/city-housing-trust-funds/>

<sup>15</sup> Toolkit for Affordable Housing Development (2005) developed by “The Washington Area Housing Partnership” [wahpdc.org](http://wahpdc.org)

funds depend on annual legislative appropriations, but many of the most effective ones have a dedicated revenue source, according to the Center for Community Change. In many states, that source is the real estate transfer tax.<sup>16</sup>

Other funding options are possible as well. Some states fund housing activities through unclaimed property tax refunds or with interest earnings on escrow accounts.<sup>17</sup> The HTF law does not specify a particular revenue source, so state lawmakers have wide discretion on future funding sources.

### Where the strategy is used in Utah

Salt Lake City's Housing Trust Fund has been around since 2000. It provides loans to housing sponsors and developers for affordable and special needs housing in Salt Lake City. Ownership units are built by local nonprofits such as Mountain-Lands Community Housing Trust and Habitat for Humanity. Housing Resolution Housing Obligations (HRHO) units are privately financed and have produced both long-term rentals and owner-occupied units.<sup>18</sup>

The Salt Lake City Housing Trust Fund isn't actually a Housing Trust Fund in the usual sense. They just named their program that. But it is not subject to the rules and regulations that apply to HUD-funded trust funds. Lehi city has also recently started looking into creating a housing trust fund, but they haven't finalized any kind of agreement yet.

### Where the strategy is used outside of Utah

One of the housing loan funds for nonprofit and for-profit affordable housing developers in the Washington Region is WAHTF. These loans have a substantially below-market interest rate. Since June 2005, the WAHTF has funded 646 units with a total amount of loans of \$925,000 for housing construction or preservation. The focus of funding activities in WAHTF is mostly in providing loans for several projects in the following areas: Northern Virginia, District of Columbia, and suburban Maryland.

Maryland's Affordable Housing Trust (MAHT) uses an innovative source of funding to generate needed resources for affordable housing. New Hampshire has a similar fund that provides construction and permanent loans to Great Bridge Properties in Dover, New Hampshire. Financing is available through the New Hampshire Housing Finance Authority (NHHFA) The last example but not the least is Alabama, where the Alabama Housing Finance Authority (AHFA) has helped create thousands of rental units for low-income Alabamians by harnessing the federal Low Income Housing Tax Credit and federal HOME Investment Partnerships Program funds.

### Sources of information about the strategy

- Toolkit for Affordable Housing Development (2005) developed by “The Washington Area Housing Partnership” wahpdc.org
- Committee on Housing aCommunity Development. “Welcome to the Committee on Housing and Community Development.” Accessed October 13, 2019. <https://ahcd.assembly.ca.gov/>.

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<sup>16</sup> A tax imposed by states, counties or municipalities on the privilege of selling, granting or transferring real estate in the jurisdiction. Alabama's primary real estate transfer tax is known as the mortgage record tax. The tax rate – 15 cents per every \$100 of the cost of the house – has not changed since 1935.

<sup>17</sup> Funds set aside and held in trust by a third party for future payment, such as for taxes or insurance or completion of a real estate purchase

<sup>18</sup> Housing obligations resulting from MPD and Annexation development agreements, referred to as Housing Resolution Housing Obligations

## Affordable Housing Strategies

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### Community Land Trust (CLT)

#### Strategy description

One of the most common ways of creating permanent affordable housing is a community land trust (CLT). Founders of the Institute for Community Economics developed the Community Land Trust model in the 1960s. The first CLT in the United States, New Communities, Inc. was established in 1968 in Georgia. Funding in the trust is used to acquire and retain land that is to be set aside for affordable housing. Land bought by the trust is kept affordable and sheltered from rising land prices in the market. Qualified low-income homeowners own title to the house, but typically have a renewable long-term ground lease.

#### How the strategy is administered and funded

Cities or counties either partner with local nonprofits or set up a new nonprofit to run the trust. Local government, foundations, or corporations often provide start-up funds and operating support. Several organizations, including the Institute for Community Economics, the National Community Land Trust Network, and the Champlain Housing Trust provide technical assistance to communities establishing CLTs. CLTs are generally member organizations with a board of directors elected by the members. CLTs sometimes purchase the property on the open market. As tax-exempt organizations, they also sometimes receive gifts of property from individuals or corporations and acquire city or county-owned property from local governments, sometimes constructing the housing units held in the land trust or even renting property, often with renewable 99-year-leases.

#### Where the strategy is used in Utah

Salt Lake City has a Community Land Trust. Utah County is in the process of setting one up. Provo is reviewing programs for setting up/working with a land trust to purchase properties.

#### Where the strategy is used outside of Utah

Chapel Hill in North Carolina set up a CLT in 2000 and has funded more than 230 homes with it. Homeowners accrue limited appreciation year over year, preserving the home’s affordability,

but also enabling them to earn equity. Homeowners have almost all the expected rights of homeownership with a few exceptions. They may pass the home onto their heirs, but it must serve as a primary residence. They may also resell the home, but it must be to a buyer that qualifies for ownership through the Trust.

The Champlain Housing Trust in Burlington, VT, created in 1984, is the largest in the nation, The Durham Community Land Trust, in Durham, NC, the Sawmill Community Land Trust in Albuquerque, and the Bahama Conch Community Land Trust of Key West, Florida are other examples.

### Sources of information about the strategy

- Burnett, K., Khadduri, J., & Lindenmayer, J. (2008). Research on state and local means of increasing affordable housing. Retrieved on October, 12, 2013.
- Salt Lake City, Growing SLC: A Five Year Housing Plan 2018-2022. (source: [http://www.slcdocs.com/hand/Growing\\_SLC\\_Final\\_No\\_Attachments.pdf](http://www.slcdocs.com/hand/Growing_SLC_Final_No_Attachments.pdf))

## Preservation of Long-Term Affordable Housing/Housing Rehabilitation Programs

### Strategy description

Preserving or rehabilitating existing affordable housing is equally as important as producing new affordable units, and often less expensive since the housing has already been built. Since most subsidized affordable housing projects are implemented for a limited period, an expiration of those affordability restriction results in rent increases to market levels. Unsubsidized units are also at risk of no longer being affordable for many reasons, such as a faster increase in housing prices than incomes for low-income households and neglected housing maintenance on low-rent units.<sup>19</sup> Housing rehabilitation programs are often operated by cities in the form of loans to homeowners that may not be able to pay for repairs, maintenance, and upkeep of their homes otherwise. These loans can fund everything from plumbing repair to correcting health and safety issues to increasing energy efficiency.

### How the strategy is administered and funded

Although preserving and rehabilitating existing affordable housing inventory may require changes in zoning, it will be a big challenge for many municipalities to comply with the existing code. To allow flexibility in zoning and building codes, cities can consider creating mixed-use zones or form-based codes. States can adopt smart building codes with relaxed standards relative to new construction. Potential sources of financing include federal Low-Income Housing Tax Credits and state and federal historic tax credits.<sup>20</sup>

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<sup>19</sup> Freeman, Lance, and Jenny Schuetz. 2016. "Producing Affordable Housing in Rising Markets: What Works?" *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2851175>.

<sup>20</sup> Khadduri, Jill, Carissa Climaco, Kimberly Burnett, Laurie Gould, and Louise Elving. 2012. "What Happens to Low-Income Housing Tax Credit Properties at Year 15 and Beyond?" *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2169370>.

### Where the strategy is used in Utah

All the cities investigated in Utah, except Orem, have programs for preserving or rehabilitating affordable housing. Salt Lake City purchases existing multi-family structures, such as hotels, motels, or apartment complexes, and redevelops those units as affordable housing while operating structural renovation programs to reduce utility, energy, and maintenance costs. In Park City, 122 units were rehabilitated and upgraded using gap loans from the City and federal low-income housing tax credits.

### Where the strategy is used outside of Utah

Prince George's County in Maryland operates a Single-Family Housing Rehabilitation Loan Assistance Program that provides financing to low-income individuals to upgrade aging and substandard homes to current minimum property standards.<sup>21</sup> The program is funded through federal Community Development Block Grants. The financial and construction management is offered by the County's Housing Development department. At least two states, New Jersey and Maryland, have adopted "smart codes" that apply relaxed standards to existing buildings as compared to new construction.

### Sources of information about the strategy

- Burnett, K., Khadduri, J., & Lindenmayer, J. (2008). Research on state and local means of increasing affordable housing. Retrieved on October, 12, 2013.
- Freeman, L., & Schuetz, J. (2017). Producing affordable housing in rising markets: What works?. *Cityscape*, 19(1), 217-236. (source: <https://www.jstor.org/stable/pdf/26328307.pdf>)
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## Policy Tools

The purpose of the following section is to discuss seven policies that jurisdictions can use to create affordable housing opportunities for moderate to low income earners. Affordable housing types (e.g., multifamily housing or garage conversions) may not conform to existing zoning, building codes, design guidelines, and development standards. Jurisdictions may need to update their zoning codes (e.g., upzoning or planned unit developments) in order to accommodate different forms of affordable housing.

Form based codes are laws adopted into city, town, or county zoning codes to regulate development to achieve a specific urban form. They create a predictable public realm by controlling first, the physical form, second, land uses and density and, third, managing the administrative planning process. As part of a form-based code legislation a jurisdiction could incorporate a percentage of affordable housing units as a requirement for new developments.

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<sup>21</sup> Toolkit for affordable housing dev\_2-17-06



Inclusionary zoning can be mandatory or voluntary for developers. It is mandatory only through development agreements or if a municipality has a nexus study. See Wasatch Advisory Opinion 198. The idea is to set aside a percent of affordable housing units—for example, from 10 to 30 percent for a period of time (usually 30 years) in medium size and large developments of, for example, 25 units or more. In return, developers might receive a density bonus, parking reductions, tax abatements, fee waivers, cash subsidies, reduced interest loans or expedited approvals from the planning department.

Density bonuses and reduced parking requirements are often used by inclusionary housing programs, as well as Planned Residential Development (PRD), Planned Unit Development (PUD), and Transit-Oriented Development (TOD) ordinances. A density bonus may be available for developments that meet a pre-determined affordable housing quota. Removing minimum parking requirement can reduce building costs, which drives down rents and sale prices. Reduced parking requirements are often implemented in dense areas where there are mixed-use buildings and nearby transit.

Existing deed-restricted housing gives tenants or future home owners the ability to rent or buy at below-market rates. Common homeownership deed restrictions are co-ops or Community Land Trusts (discussed above); they can target a specific population like workforce housing for nurses, teachers or firefighters. Rent-control is another form of deed-restricted housing.

Finally, allowing for the existence of accessory dwelling units (ADUs)—also known as granny or mother-in-law flats—can help to increase the supply of affordable housing units. Taken together, the seven tools discussed below can foster a robust affordable housing development landscape in Utah’s cities, town, and regions.

### Update Zoning Code

#### Strategy description

The most common way cities allow for the development of affordable housing is through their primary policy tool: zoning. Cities update zoning in a variety of ways. Upzoning—reducing required lot sizes or allowing higher housing densities (more dwelling units per acre)—is a common tactic that incentivizes the development of affordable housing because it amortizes the costs of land over more dwelling units. If lots are smaller for single-family housing, or single-family housing is rezoned for multifamily housing, land costs associated with each unit will be lower making the overall price more affordable. Also, upzoning may result in reduced parking requirements, which in turn results in lower costs. However, just because units are at higher density does not always make them affordable unless there are also deed restrictions or aggressive city interventions. Look at housing costs in downtown Salt Lake City or Sugarhouse which are two of the densest areas in the state. Most of the new multifamily housing complexes are designed and marketed as “luxury apartments” that don’t even pretend to be affordable.

#### How the strategy is administered and funded

Upzoning begins with proposing an amendment to a zoning ordinance or zoning map that specifies zoning changes, affected parcels, allowed building types, density and parking requirement. Zoning changes for higher density can vary, including taller buildings, denser housing types (e.g., duplexes, triplexes, accessory dwelling units, and apartment buildings), a higher floor area ratio (FAR), and reduced parking requirements that accordingly increase

inhabitant space. Common target areas for upzoning are neighborhoods located around transit stations, downtowns, or neighborhoods with various population groups in terms of income and ethnicity.

### Where the strategy is used in Utah

All ten cities examined have updated their zoning codes to allow higher densities in one way or another. It is most commonly updated in certain areas of the city or at certain planned unit developments (PUDs). Cities like Provo and Orem used student and senior housing zoning overlays to allow for higher density development of those housing types.

The City of Lehi has “planned community zones” which encourage a cohesive mixture of land uses, including residential uses, which provide a range of housing types and densities, to accommodate a variety of age and income groups and residential preferences. In addition to these residential zones, the City also allows clustered residential developments under its Planned Residential Development (PRD) and Planned Unit Development (PUD) ordinances. The PRD and PUD provisions function as overlay zones and allow design flexibility in the development of lands within the City. These clustering ordinances encourage the realization of several potential public benefits, one of them being to encourage the construction of affordable housing units within the City.

### Where the strategy is used outside of Utah

Many state governments apply upzoning, including California, Oregon, Washington, Seattle, Minneapolis, Nebraska, Virginia, and Maryland, and the federal government encourages local governments to relax zoning ordinances that restrict multi-family housing.

In 2019, Oregon passed a house bill legalizing duplexes on all single-family zoned land in cities with more than 10,000 population, and in cities over 25,000 population, the bill even allow triplexes, fourplexes, and attached townhomes. Minneapolis just passed a comprehensive plan, Minneapolis 2040, that promotes increased equity in housing by boosting density throughout the city, including elimination of single-family zoning.<sup>22</sup> Triplex developments are enabled on all lots once reserved for single family homes—effectively rezoning for a potential threefold increase in density. Chicago legalized new upzoning policies twice, in 2013 and 2015, which allowed denser housing near transit stops, which collectively affected 6 % of the city’s land area.

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<sup>22</sup> “Minneapolis Evicts Single-Family Zoning,” March 2019; [planning.org/planning/2019/mar/news](http://planning.org/planning/2019/mar/news).



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### Density Bonuses

#### Strategy description

Density bonuses are incentives for developers to increase the maximum development area or the number of units allowed on a property in exchange for the provision of affordable housing. While this tool can be utilized to achieve other public policy goals, such as protection of open space and landscaping, density incentives are also often used to increase affordable housing supply. Precondition that developers must meet is to agree to lower the rents or sale price of a portion of the developed units for low-income households. Communities or cities can also grant developers a density bonus to promote infill on underutilized land while improving housing affordability.

#### How the strategy is administered and funded

Density bonus regulations are specified in conjunction with zoning ordinances or subdivision regulations. First, governments set objectives achieved from density incentives (e.g., conservation of natural resources and open spaces, creation of trails or public spaces, provision of affordable housing). Second, areas meeting the objectives are identified (e.g., developable land along transit corridors, all areas throughout the city). Lastly, specific policies for granting density increases are developed. For affordable housing goals, policy elements include the number or percentage of affordable units required to obtain a density bonus, housing type (e.g., single-family, duplex, multi-family), income eligibility, and rent or sale price limits. In addition to such regulations, staff needs to review the site plan and monitor the project to ensure compliance and affordability. Although the amount of density bonus is determined on a case-by-case, proportional to the amount of benefit provided, the common increase is between 10-20% over baseline allowed density.

#### Where the strategy is used in Utah

Many cities in Utah make frequent use of density bonuses. A density bonus incentivizes developers to build more units than are allowed by a certain area's base zoning in exchange for a community benefit, such as creating affordable housing units. A density bonus can allow for the development of additional square footage, and therefore additional units. For example, in exchange for making 20 percent of the units affordable, a developer may build 45 housing units on a plot of land zoned for only 35 units. A project that receives a density bonus or incentive may have to retain affordability of the units for 30 years. Lehi's PRD and PUD ordinances have provisions that allow for density bonuses. According to the Moderate-Income Housing Element of the Lehi City General Plan, the Beehive Homes, a facility for older adults, was allowed to double the units, 8 to 16, in order to achieve its affordable housing development goals.

#### Where the strategy is used outside of Utah

For achieving housing affordability goals, governments use a density bonus program throughout their jurisdiction. Montgomery County, MD, promotes affordable housing by requiring

12.5% of all new residential units to be affordable, and additionally operate a density bonus program for projects which provide affordable units more than 12.5%. Under this program, developers can increase the allowed floor area up to 20 percent more than the density limit based on the base zoning. The City of Madison, WI, also has a density bonus program throughout the city to provide housing for low-to-moderate-income households. Eligible housing projects must include at least 15 percent affordable units. The amount of density for each project is determined based on a point system and criteria developed by a committee, commission, and council process. Under this point system, developers can earn up to a three-point maximum, and each point grants developers 10-20 percent more permitted housing units. To facilitate the program and ensure compliance with the ordinance, a pre-application review process and policy manual are also provided to developers.

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## Form-Based Code

### Strategy description

A form-based code differs from traditional zoning in that it focuses on the form of development over the use of the land. The form is decided in the context of the overall look and feel of a community. These codes stipulate strict standards for design elements including, but not limited to facades, the relationship of buildings to one another, and the scale of buildings and blocks. Beyond defining form, these coding updates can be used to create zoning regulations that offer by-right advantages to developers to reduce the risk and uncertainty incurred by undertaking affordable housing development projects. Because affordable housing units are less lucrative for developers to build, the form-based code advantage is an indirect incentive to affordable and market-rate housing development.

### How the strategy is administered and funded

While conventional zoning ordinances incorporate visions at a macro-level scale, form-based code focuses on a place and develop unique characteristics by regulating both private and public space design, including buildings, streets, sidewalks, parks, and parking. As such a fine-tuned, strong visioning process relax some land-use restrictions to achieve desirable built-form and a mix of land uses and housing types, form-based codes can be developed including various housing affordability tools, such as density bonuses in exchange for the provision of affordable units and accessory dwelling units. First, municipal staff and consultants determine areas in the community affected by the form-based code and review the relationship to existing zoning regulations. Second, the code team analyzes the existing urban form at various scales as a basis

for the creation of the form-based code by reviewing background documents, visiting sites, and exploring relevant data. Lastly, the team develops the community's vision and specific regulations and procedures of the code by engaging the community.

### Where the strategy is used in Utah

Form-based codes, in conjunction with the appropriate incentives, can increase the supply of affordable housing with the growth of communities. The City of South Salt Lake passed a form-based code in their East Streetcar Neighborhood in 2014. The zone extends from State Street to 500 East along the S-Line corridor. As a result of the change, several new multifamily housing projects have been developed along the corridor.

### Where the strategy is used outside of Utah

The City of Miami, FL, adopted form-based codes, Miami 21, in 2015, to promote sustainability, public benefits, and affordable housing. This code allows developing a wide range of housing types and supporting affordable housing through the Public Benefits Program and the Affordable Housing Special Benefits Program (Garde et al., 2015). These programs consist of various incentives; for example, developments that include affordable housing receive incentives or benefits from the City, including but not limited to financing, grants, impact fee waivers or deferrals, and parking waivers or reductions. The City of Ventura, CA, approved form-based codes that require 15% of the developed units in the downtown area to be affordable for low- and moderate-income residents (Garde & Kim, 2017). Arlington County, VA, developed form-based codes for residential areas along a transit corridor, and developers are permitted to build taller buildings if they meet housing affordability requirements.

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### Inclusionary Zoning

#### Strategy description

Inclusionary zoning (IZ) has been applied nationally in the US and established affordable housing amounting to approximately 150,000 units. Ideally, inclusionary zoning requires developers to build a certain percentage of affordable housing units in their market rate projects. Yet, this can only be achieved in strong markets. In weaker markets, affordable housing with incentivized opportunities may be a more suitable approach. In strong markets, with high demand and a well-assessed policy, inclusionary zoning can help create more affordable housing, which might have not been possible and only could be achieved through projects executed by public or non-profit actors.

#### How the strategy is administered and funded

The IZ concept is becoming more popular among developers because local governments usually offer a number of incentives, including low interest financing tools, cash subsidies and grants, free or low-cost land, density bonuses, tax abatement programs, rehabilitation assistance, fast-tracking of plan reviews and permits, and reduced or waived fees. IZ is a useful tool for urban regeneration projects that have the explicit goal of creating diverse neighborhoods that include various socioeconomic, racial, and age groups. IZ regulations vary, but they typically require that a certain percentage of units be affordable for certain low-income families.

The most common form of incentive provided to developers is a density bonus, which allows them to build more square feet than would otherwise be permitted under zoning regulation. Other common incentives include fee waivers, reductions in parking spaces required by zoning and building codes, and expedited permitting.<sup>23</sup>

#### Where the strategy is used in Utah

Park City is the only municipality in our study to have district-wide inclusionary zoning (referring here to zoning districts). From 2005 to 2011, 78 affordable housing units were built in response to this ordinance. The requirement is that new developments (Master Planned Developments and Annexations) include low-to-moderate income brackets. During that time period, MPDs and annexations only made up fifty percent of the total residential construction, or 520 units, (meaning that inclusionary zoning requirements were not triggered for other types of development). Other municipalities, notably Salt Lake City, will on occasion, require that a certain percentage of units in multifamily projects be affordable as a condition of rezoning or a development agreement. Progressive cities generally do their best under the confines of state law.

#### Where the strategy is used outside of Utah

The Department of City Planning of the City of New York has been implementing an Inclusionary Housing Program since 1987. There are currently two programs for IZ housing in New York City. The original is the R10 Program, which provides a floor area bonus of up to 20 percent in applicable residential and commercial districts. The other program, the Inclusionary

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<sup>23</sup> Calavita, Nico, and Alan Mallach, eds. 2010. *Inclusionary Housing in International Perspective: Affordable Housing, Social Inclusion, and Land Value Recapture*. Cambridge, Mass: Lincoln Institute of Land Policy.

Housing Designated Areas, allows a bonus of 33 percent of floor area that can be obtained in return for providing 20 percent affordable housing units. These designated areas, 16 in total, are located in four of the five boroughs of New York City, with a large majority of locations in Manhattan and Brooklyn (Association for Neighborhood and Housing Development Inc. 2013; City of New York 2014).

The output and impact of IZ in New York City indicates the following: 2,769 affordable housing units have been generated between 2005 and mid-2013; on the West Side of Manhattan and on the Brooklyn waterfront, the IZ program has proven to be an effective and efficient means of generating affordable housing units; outside of these two areas, very few IZ housing units were created, even where there was significant development; and overall, IZ represents less than 2 percent of all multifamily building permit applications in New York City during these years (Lander, Freedman-Schnapp, and Ullman 2013).

For a more suburban example of inclusionary zoning, the Montgomery County Council (MD) passed the Moderately Priced Housing (MPH) Law in 1974. A provision of the law requires that between 12.5% and 15% of the houses in new subdivisions of 20 or more units be moderately priced dwelling units (MPDUs). Included in the MPDU program are detached and semi-detached homes (duplexes), townhouses, garden condominiums and high-rise condominiums and apartments. Under the present sales price limits, a three-bedroom townhouse has a sales price of approximately \$165,000. Sales prices and rental limits are reviewed annually and are revised to reflect changes in construction costs. The MPDU Program does not provide financing to purchase MPDUs. Special financing and down payment and closing cost assistance are available through the Housing Opportunities Commission. The MPDU Program also offers affordable rents at a number of MPDU apartment complexes located throughout the County.

### Sources of information about the strategy

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### Reduced Parking Requirements

#### Strategy description

From everything we know, the U.S. is over parked. That is, in most locations, particularly those near transit or in walkable, mixed-use environments, parking supply exceeds peak parking demand by a wide margin (ITE, 2019; Ewing et al., 2020). Local zoning codes nearly always require

developers of new housing units to provide a specified minimum number of parking spaces for area residents and for workers and customers of area businesses. These parking spaces can increase the amount of land required, reduce the number of units that can be built on a given parcel, and/or increase the costs of construction, which are often passed on to the homebuyer or renter in the form of higher home purchase prices or rents. At the same time, as public transit use increases, communities tend to need fewer parking spaces than they needed in previous decades. By reducing parking requirements for developments that include affordable housing, localities can decrease production costs (permitting, construction, etc.), allowing the developments to provide more affordable housing. This may be particularly useful in dense, high-cost cities where land prices are very high and structured parking costs \$25,000 or more per space.

### How the strategy is administered and funded

Parking management involves both government agencies (which allow more accurate and flexible minimum parking requirements, and enforce parking management agreements) and building developers and managers (which develop and implement parking management programs). An effective parking management plan usually involves several components. As an example of a shared parking strategy, local governments can allow developers to pay “in lieu” fees, which help fund off-site municipal parking facilities, as an alternative to providing on-site parking.<sup>24</sup>

### Where the strategy is used in Utah

Salt Lake City has been working on updating their parking requirements and many other cities are considering changes here too. However, reduced parking requirements also need improved access to transit which most communities in Utah do not as yet have. Transit Station Area (TSA) zoning in Salt Lake City along 400 South and North Temple requires no parking in core zones and 50 percent of the standard minimum parking requirements in transition zones. South Salt Lake has also implemented parking reductions. Four neighborhoods along transit lines (within a quarter mile) have parking requirements ranging from 0.8 to 1.0 stalls per unit vs. the standard multifamily requirement averaging 1.5 stalls per unit elsewhere in the city.

### Where the strategy is used outside of Utah

Rich Sorro Commons, San Francisco, CA is a mixed-use project with 100 affordable units and approximately 10,000 square feet of ground floor retail. Conventional standards would require 130 to 190 parking spaces for such a building, but it was constructed with only 85 parking spaces, due to proximity to high-quality public transit services, the provision of two car share parking spaces in the building, and the fact that the building provides affordable housing, with tenants who are less likely to own a car. Reduced parking supply freed up space for a childcare center and more ground-level retail stores. Just 17 avoided spaces allow the project to generate \$132,000 in additional annual revenues (300 square feet per space at \$25.80 per square foot in rent), making housing more affordable. Two car share vehicles are available to residents, giving them access to a car without the costs of ownership—a particularly important benefit for low-income households.

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<sup>24</sup> The City of Portland, Oregon. n.d. “What Is the Portland Home Purchase Assistance Program?” Accessed October 13, 2019. <https://www.portlandoregon.gov/phb/article/686721>.



## Sources of information about the strategy

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## Preserve Existing Deed-Restricted Affordable Housing

### Strategy description

Deed restrictions can have terms and conditions related to selling, buying or renting property. They refer to a legal agreement that imposes restrictions on real estate. When an owner of a property wants to transfer property, he or she can do so according to the terms and conditions that are indicated in a deed restriction. Deed-restricted affordable housing refers to deeds that can only be transferred to individuals earning certain percentages of area median income. To keep housing costs affordable for appreciation. In other words, the property buyer should meet the set income requirements and should be able to purchase it at an affordable price.

### How the strategy is administered and funded

Within a deed restriction, a sponsoring agency can reserve the legal right to object to a sale. Rights of First Refusal (ROFR) grant the local housing agency (or other contracted nonprofit) the right to oversee each transaction and approve both parties, throughout the tenure of a unit’s regulated life. This condition — that a transaction can be challenged if the new owner does not fit the target population—implicitly strengthens the restriction. Little data exists on how frequently ROFRs are exercised in practice.

### Where the strategy is used in Utah

A new “buy-back and sale program” was created by the Park City Council in 2017. The City holds a first right of purchase on all deed-restricted properties. The City has begun exercising this right, purchasing properties with outdated deed restrictions, updating the deed restriction, and then selling to qualified buyers.

### Where the strategy is used outside of Utah

Deed-restricted homeownership programs operate in multiple municipalities in California's Bay Area. Each program has its own rules and restrictions. For example, the City of Novato's program places deed-restrictions that allow sellers to receive a share of appreciation that is based on the change in area median income as well as the depreciated value of approved capital improvements.

As noted above, Montgomery County's MPDU program uses deed restrictions with a shared-equity resale formula to maintain affordable homeownership options in this high priced area. Many of the units in this program were created through the county's inclusionary zoning ordinance, which was first adopted in 1973 and has produced over 12,000 units.

### Sources of information about the strategy

- Park City Municipal Corporation. (2017). Housing assessment & Plan. <https://www.parkcity.org/home/showdocument?id=55949>
- "Deed-Restricted Homeownership Overview - Local Housing Solutions." n.d. Accessed October 13, 2019. <https://www.localhousingsolutions.org/act/housing-policy-library/deed-restricted-homeownership-overview/>.
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## Accessory Dwelling Units

### Strategy description

One of the simplest and oldest approaches to creating affordable housing is allowing accessory dwelling units (ADUs), also known as granny flats or mother-in-law-units, on single family dwellings. ADUs give single-family home owners the right to build another small dwelling on their land. Units tend to be located in basements, small back houses, or in apartments over a garage. To qualify, accessory apartments usually need to be with single family homes that are owner-occupied, and meet certain size limits and parking availability requirements, among other requirements. Because they tend to be smaller in size and less expensive to construct or retrofit, accessory apartments allow for more affordable housing options for residents at different life stages, such as singles, young couples, and particularly seniors—who benefit greatly from sharing the cost of a home and having a close neighbor. Accessory apartments have the potential to effectively double the density of single-family neighborhoods.

### How the strategy is administered and funded

In general, States can enact legislation to promote the supply of ADUs. More commonly, communities adopt ADU ordinances. Tax incentives are often administered by the assessor's and/or the local treasurer's office; code enforcement is administered by the building department. No funding is required; however, some localities may offer incentives to promote the production of accessory dwelling units.

Regardless of its physical form (backyard cottage, basement apartment, etc.), legally an ADU is part of the same property as the main home. It cannot be bought or sold separately, as a



condominium or a dwelling on wheels might be. The owner of the ADU is the owner of the main home.

### Where the strategy is used in Utah

In light of Senate Bill 34, passed in the last session of the legislature, many cities in Utah are now looking at ADU ordinances. Based on the 10 featured cities' MIH elements, affordable housing reports, and contacts with cities' communities department planning or planning departments, Salt Lake City and Sandy<sup>25</sup> are using this method to improve housing affordability, Lehi has just adopted an ordinance in Fall 2018 to start allowing ADUs. Provo is implementing an Accessory Apartment and Supplemental Apartment Overlay Zone. The council is reviewing a program which is expanding the allowance for ADUs. Orem allows accessory apartments in nearly all residential areas in every part of the City. The City currently has an estimated 600 legal accessory apartments. West Jordan's MIH element says that the City could allow ADUs in all single-family residential zones to increase the supply of moderate income rental housing. The City has recently considered allowing detached "Casita type" ADUs in appropriate single-family zones.

### Where the strategy is used outside of Utah

Hundreds of cities around the U.S. allow ADUs in some or all residential zones. In Santa Cruz, CA, the city revised its zoning ordinance in 2002 to end a covered parking requirement for single-family houses, which made space available for accessory units. Santa Cruz's ADU Development program encourages construction of ADUs in several ways. To help homeowners finance ADU development, the ADU Loan Program offers loans of up to \$100,000 at 4.5 percent interest.

### Sources of information about the strategy

- Santa Cruz City Housing and Community Development website: <http://www.ci.santacruz.ca.us/pl/hcd/ADU/adu.html>
- Burnett, K., Khadduri, J., & Lindenmayer, J. (2008). Research on state and local means of increasing affordable housing. Retrieved on October, 12, 2013

## Expedited Permitting

### Strategy description

Expedited permitting is an incentive program for affordable housing developments that accelerates, simplifies, or automates the plan review and permit process. Any delay occurring in the development process brings additional costs and uncertainties in the effort to increase affordable housing whereas expedited permitting allows developers to offset the project cost associated with the development process.

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<sup>25</sup> The City allows basement apartments as a conditional use, and regularly processes applications.

### How the strategy is administered and funded

For fast-tracking review and permitting, local jurisdictions offer an efficient review session specially designed for affordable housing projects that may involve a consolidated team of plan reviewers, on-the-spot decision-making, and reduced consultant costs. Expedited permitting is a cost-effective way of reducing the costs of developers at no cost to local municipalities.

### Where the strategy is used in Utah

To remove impediments in city processes, Salt Lake City implemented an expedited processing system for developments involving new affordable units.<sup>26</sup> By supervising the permitting, licensing, and inspection process of projects, the process allows for affordable housing developers to reduce project costs and increase the likelihood of such projects coming to the market. In this process, the administration is empowered to waive relevant fees. South Salt Lake City also offers an expedited permitting system in selected zones. The city conducted a regulatory barrier analysis for identifying if there was a lack of flexibility in regulations affecting affordable housing projects. As part of this analysis, an expedited application and approval process was adopted for multifamily housing in the four neighborhoods mentioned above.

### Where the strategy is used outside of Utah

Other jurisdictions utilizing an expedited permitting process include King County (WA), Polk County (FL), Cambridge (MA), Austin (TA), Santa Barbara County (CA), and Oregon State.<sup>27</sup> In particular, King County prioritizes affordable housing proposals over the other proposals, and for those who wish to build the same house design repeatedly, the county issues individual unit building permits on average within two days based on pre-approved master plans. Cambridge city helps affordable housing developers to identify substantive issues prior to planning board meetings, so it is often possible to obtain project approval on the night of the hearing. Austin city facilitates expedited processing for all S.M.A.R.T. Housing projects in which the city identifies major problems in development proposals in advance. This fast-track permitting allows Austin to produce 40 percent faster cycle times than conventional ways. Oregon State established an e-permitting system, called eBuildingPermits, to facilitate the approval process and to encourage affordable housing developments.

### Sources of information about the strategy

- Salt Lake City Housing and Neighborhood Development (2018), Growing SLC: A Five Year Plan 2018-2011 (source: [http://www.slcdocs.com/hand/Growing\\_SLC\\_Final\\_No\\_Attachments.pdf](http://www.slcdocs.com/hand/Growing_SLC_Final_No_Attachments.pdf))
- South Salt Lake City (2009), General Plan (source: [http://www.southsaltlakecity.com/uploads/documents/General\\_Plan.pdf](http://www.southsaltlakecity.com/uploads/documents/General_Plan.pdf))
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<sup>26</sup> Salt Lake City Housing and Neighborhood Development, 2018.

<sup>27</sup> "The Past and Future of Housing Policy Innovation: The Case of US State Housing Trust Funds: Housing Studies: Vol 27, No 1." n.d. Accessed October 13, 2019.

<https://www.tandfonline.com/doi/abs/10.1080/02673037.2012.631988?scroll=top&needAccess=true&journalCode=chos20>.

### Transfer of Development Rights

#### Strategy description

Local governments can use Transfer of Development Rights (TDR), a market-based land use mechanism, for redirecting growth from a location desired to be preserved (known as ‘sending areas’) to a location desired to be developed with higher density (known as ‘receiving areas’). These transactions can be strictly between private parties, or the local government can act as an intermediary or TDR bank. Typically, TDR sending areas are located in rural and resource lands. However, a TDR program can be structured to allow urban affordable housing preservation projects to qualify as a sending site (e.g., mobile home parks, high-rise low income apartments). Affordable housing projects may also be eligible as “receiving sites.” Residential bonus units may be offered as an incentive for affordable housing.

#### How the strategy is administered and funded

For this process to take place, the owner of the sending area has to sell the right to develop to developers in receiving areas. Conservation easements or restrictive deeds on property are associated with TDR transactions. Although this is usually used as a preservation tool for farmlands, agricultural lands and environmentally sensitive areas, TDR can be used as a preservation tool for affordable housing in areas with low-income housing that is at risk of redevelopment.

#### Where the strategy is used in Utah

Transferable rights are limited by the local ordinance creating the TDR process. The Utah Code places no restrictions on the rights that may be transferred. The local government facilitates the transfer and tracks the allocation of the development rights. Mapleton, Utah, uses a TDR program to preserve critical environmental areas, but they are not programmed yet for affordable housing. Park City has a TDR overlay zone, and Heber has considered establishing a TDR program. In all three cases, the purpose is open space conservation, not affordable housing preservation. But to the extent that higher density may translate into more affordable housing (see above), the end result may be the same, an increased supply of affordable housing.

#### Where the strategy is used outside of Utah

In New York City, for example, owners of structures and lots along the high line were able to up zone, allowing them to build at higher density than ordinarily allowed.<sup>28</sup> Other examples can be found in *Smart Growth through the Transfer of Development Rights*.

#### Sources of information about the strategy

- Puget Sound Regional Council. 2017. “HIP Tool: Transfer of Development Rights for Affordable Housing.” March 24, 2017. <https://www.psrc.org/transfer-development-rights-affordable-housing>.

- HUD User. “Breakthroughs: Volume 8 Issue 5.” Accessed October 13, 2019. [https://archives.huduser.gov/rbc/archives/newsletter/vol8iss5\\_2.html](https://archives.huduser.gov/rbc/archives/newsletter/vol8iss5_2.html).

### Other Tools

Strategies that did not fit as financial and policy tools are included here. First, Employer Assisted Housing or Work Force Housing for moderate to low-income homeowners can be provided by public employers for their teachers, firefighters, and policeman. Private employers such as hotels, hospitals and universities might create these types of housing also. A popular tool for cities and towns is developing public private partnerships, where for example publicly owned land could be given for free to a developer of affordable housing units.

We also discuss the importance of educating residents on housing affordability issues so they are less likely to oppose it in their communities. Although, a federal strategy, we investigate public housing locally as a strategy to provide housing for individuals below 30 percent of the AMI.

Finally, The Center for Neighborhood Technology and the Center for Transit Oriented Development in 2006 developed an innovative tool called the housing + transportation (H+T) affordability index, which measures true housing affordability. The H+T affordability index considers not only the cost of housing but the intrinsic value of location, as quantified in transportation costs.

### Employer-Assisted Housing

#### Strategy description

Employer Assisted Housing (EAH) is an employer provided benefit with the intention of assisting employees become homeowners. The growing spatial mismatch between where job growth is taking place and where people can afford to live creates costs for employers as the local labor pool contracts and employee turnover rises. Employers have a stake in extending housing affordability and creating housing opportunity while increasing the competitiveness of their businesses and the areas in which they are located. EAH programs reflect recognition that employers cannot fully externalize the costs of their locating or operating in a tight market onto their employees or the public or nonprofit sectors.

#### How the strategy is administered and funded

Employer-assisted housing (EAH) programs provide a channel through which employers can help their employees with the cost of owning or renting a home, typically in neighborhoods close to the workplace. Assistance may be provided in a variety of ways, including through down payment grants or loans that are forgiven over a period of employment, low-interest loans, credit counseling, homebuyer education, rental subsidies and, less commonly, direct investment in the construction of rental housing.

In addition to offering their own EAH programs for public-sector employees, cities, towns, and counties can provide incentives to encourage private-sector employers to initiate their own programs. For example, local governments can provide a dollar-for-dollar match for employer contributions to EAH programs. Local governments (either directly or by funding a nonprofit) can also offer administrative assistance to employers interested in adopting an EAH program; this can range from help in designing the program all the way to managing it on behalf of the company.

## Affordable Housing Strategies

To the extent this support stimulates additional employer participation in EAH programs, it helps to increase available funding for affordable housing. Participating companies also benefit from improved recruitment in high-cost areas and higher rates of employee retention. EAH programs can also be used to help promote community stabilization and redevelopment – for example, by encouraging an influx of new residents in neighborhoods that may have experienced disinvestment.

### Where the strategy is used in Utah

Park City Municipal Corporation provides “employer-assisted housing” to full-time regular employees to encourage them to live within Park City’s School District boundaries. Assistance takes the following forms:

- Down payment and closing cost assistance to enable employees to buy homes within the Park City School District boundaries (to date 34 loans have been made totaling \$406,000 in assistance).
- Up to six low-cost rental properties to assist in employee recruitment and retention purposes, helping employees by providing a stable place from which to find a permanent home in Park City.
- A housing allowance for those living within School District boundaries (28 percent of city employees currently qualify – down from 38 percent in the 2012 housing plan).
- Sponsorship of seasonal affordable housing for transit employees utilizing city-owned units and renting homes for congregate use where possible.

### Where the strategy is used outside of Utah

Applied Materials in Santa Clara, CA employs 4,000 workers in Silicon Valley. Applied Materials contributed \$1 million to the Housing Trust of Santa Clara County, a public-private partnership that provides down payment assistance for first-time homebuyers and low-cost financing for developers of affordable homes. The University of Chicago and University of Chicago Medical Center employ 14,000 workers, and provide interest-free forgivable loans and homeownership counseling for employees, and encourage investment in transitioning target neighborhoods.

These tools also can be known as an “employer-assisted housing strategies” which have been used in several states. The following are some examples:

- The City of Alexandria (VA), offers a program for employees which helps them become homeowners in the city by providing them zero-percent deferred payment loans of up to \$5,000.
- In Connecticut, they have similar program under the “Employer Assisted Housing Revolving Loan Fund.” Created in 1994, the fund provides business tax credits in exchange for employer contributions to revolving loan funds for employer-assisted housing.
- The Greater Minnesota Housing Fund matches employer contributions for the development of affordable housing in their communities
- Home Ownership for Performing Employees (HOPE) in New Jersey also provides home loans for selected employees.

## Affordable Housing Strategies

- REACH<sup>29</sup> recruits and serves multiple employers in the six-county Chicago metropolitan region.

### Sources of information about the strategy

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## Public Private Partnerships

### Strategy description

Partnerships between cities and developers can stimulate targeted development to address the inadequate supply of affordable workforce housing.

### How the strategy is administered and funded

Partnerships between local governments and the private sector—both the business sector and community-based non-profit housing providers—can help communities develop affordable housing by bringing additional resources and skills to the development process.

### Where the strategy is used in Utah

Statewide, there are many examples of affordable housing produced through public-private partnerships. For example, in Salt Lake City with the 9th East Lofts at Bennion Plaza, 22 affordable housing units were built for people with physical disabilities, veterans, victims of domestic violence, and transitional housing for homeless people.<sup>30</sup> The Redevelopment Agency of Salt Lake City approved \$3.2 million for the Housing Assistance Management Enterprise (HAME) to purchase and develop four parcels on the 1700 South block of State Street. HAME, in collaboration with the Housing Authority of Salt Lake City (HASLC), built a four-story, mixed-use project with 108 units.

### Where the strategy is used outside of Utah

In Austin, TX the award-winning Casa Verde Builders, operated by the American Institute for Learning (AIL), has implemented an innovative model that combines production of new affordable housing with community service and job training for at-risk youth. By partnering with public and

<sup>29</sup> Regional Employer-Assisted Collaboration for Housing

<sup>30</sup> Cortez, Marjorie. 2015. “Public, Private Partners Break Ground for Affordable Housing Development in Salt Lake City.” Deseret News. August 19, 2015. <https://www.deseret.com/2015/8/19/20570597/public-private-partners-break-ground-for-affordable-housing-development-in-salt-lake-city>.



private-sector organizations, including Home Depot, and others, AIL has built over 40 energy-efficient homes for residents at or below 50 percent of area median income. Homebuyers received down payment and closing cost assistance from the City of Austin, the State of Texas, and, recently, Guaranty Federal Bank. At-risk youth selected to participate in the program are given construction skills, academic education, supportive services, and, in some cases, scholarships. The homes are constructed using techniques that reduce energy consumption by as much as 50 percent from conventionally built homes.

In Washington, DC, the Park 7 mixed-use building has proven to be a catalyst for transforming the surrounding neighborhood. 346 of the building's 376 rental units are designated affordable for residents earning 60 percent or less of the area median income. Park 7 also includes some market rate apartments and over 20,000 square feet of retail space and is located near a major metro station and the planned Streetcar line. The project required parceling together a series of vacant and/or abandoned lots that the District of Columbia contributed to the project. It was financed with a unique structure that included federal low-income housing tax credits, Housing Finance Agency bonds, a private equity loan from Bank of America, and both taxable and tax-exempt debt to capitalize on the best interest rate environment available at the time it closed. The development won an award from the National Affordable Housing Management Association in 2015 for its innovative financing.<sup>45</sup>

In North Carolina, the Charlotte-Mecklenburg Housing Partnership is a private, non-profit housing development and financial corporation focused on expanding affordable housing in the Charlotte area by working with various partners. Public partners are city and county governments, and federal and state agencies. Private partners are financial institutions, developers, professionals, businesses and investors. Community partners are civic and religious groups, local nonprofit organizations and neighborhood residents. The Partnership was incorporated in 1988, and has since created over 2,300 rental homes and over 2,500 new homeowners, and has helped revitalize six neighborhoods. In 2011, The Partnership joined forces with the City of Charlotte to more efficiently administer HouseCharlotte, a program designed to increase the supply of affordable housing, provide opportunities for homeownership and strengthen and stabilize selected neighborhoods. HouseCharlotte provides down payment, closing cost and interest rate buy-down assistance to low- and moderate-income families purchasing homes in eligible neighborhoods.

### Sources of information about the strategy

“Casa Verde Builders: A Lesson in Problem Solving,” <https://www.probuilder.com/casa-verde-builders-lesson-problem-solving>

“Building Public-Private Partnership to Develop Affordable Housing,” [https://www.hud.gov/program\\_offices/comm\\_planning/affordablehousing/library/modelguides/1996/1583](https://www.hud.gov/program_offices/comm_planning/affordablehousing/library/modelguides/1996/1583)

“Public-Private Partnerships to Address Affordable Housing Crisis,” <https://arbor.com/blog/public-private-partnerships-to-address-affordable-housing-crisis/>

### Educate Residents on Housing Affordability Issues

#### Strategy description

Neighborhood opposition is one of the critical impediments to affordable housing projects, and the opposition can be managed through planning. A widely applicable strategy is educating

residents on housing affordability issues and providing information on social value of affordable housing. Residents' concerns are triggered by a variety of factors, including a reputation for poor maintenance, the perception that crime accompanies affordable housing, a sense of housing programs as giveaways, the repeated concern with property values, and a belief that affordable housing is unattractive.<sup>31</sup> However, these concerns are often anecdotal and tend to rely on perceptions that residents have about government-subsidized housing. Thus, as a proactive action, education or marketing will provide opportunities for residents to better understand the need and benefits of affordable housing.

### How the strategy is administered and funded

There are a wide range of methods depending on the purpose and who is operating them. The most common way is to organize an educational campaign, where posters and flyer are distributed illustrating attractive affordable housing and residents. Another way is to hold an annual event, such as affordable housing summit, to share information and facilitate discussion between community and city. As Tighe (2010) pointed out, it is important to implement education tools long before a development proceeds, and thus minimize residents' concerns and skepticism.<sup>32</sup>

### Where the strategy is used in Utah

In Utah, three cities (Orem, Ogden, and Park City) have implemented programs for educating residents on housing affordability issues. For example, Orem has built a partnership with the Mountainland Continuum of Care to hold an Affordable Housing Summit. This event was held to discuss affordable housing issues with the general public and community leaders. The city is expected to have this summit as an annual event. Orem also facilitates discussion with their residents on affordable housing during neighborhood planning meetings.

The Utah Housing GAP Coalition, an alliance spearheaded by the Salt Lake Chamber, brings the brightest minds of business, academia, and government together to preserve housing affordability in Utah's growing communities. The Housing Gap Coalition is in direct response to a study, commissioned by the Salt Lake Chamber and conducted by the Kem C. Gardner Policy Institute, which shows the rate that housing prices are increasing in Utah will threaten our cost of living, economic prosperity and quality of life. Over the last ten years a 54,000 gap has accrued between the number of Utah families or individuals needing housing and the supply of housing units. The gap is likely to expand in the next few years.

### Where the strategy is used outside of Utah

Many other states and cities use educational campaigns, and one of the commonly-used techniques is flyer or poster. Fort Collins (CO) distributed leaflets named "faces of affordable housing" and "places of affordable housing" that provide information about the need and worth of affordable housing.<sup>33</sup> Similar strategies were also implemented in Chicago, Minnesota, and elsewhere. This campaign helps the existing residents to understand that the target population of

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<sup>31</sup> Tighe, J. R. (2010). Public opinion and affordable housing: A review of the literature. *Journal of Planning Literature*, 25(1), 3-17. (source: <https://journals.sagepub.com/doi/pdf/10.1177/0885412210379974>)

<sup>32</sup> Tighe

<sup>33</sup> Tighe



affordable housing is “submerged middle class” who need support, not those who abuse government grants.<sup>34</sup>

### Sources of information about the strategy

- Tighe, J. R. (2010). Public opinion and affordable housing: A review of the literature. *Journal of Planning Literature*, 25(1), 3-17. (source: <https://journals.sagepub.com/doi/pdf/10.1177/0885412210379974>)
- Belden, N., Russonello, J., Udem, T., & Vaina, D. (2003). Valuing housing: Public perception of affordable housing in the Chicago region. *Chicago: Housing Illinois*.

## Housing Plus Transportation (H+T)

### Strategy description

Housing affordability has been one of the most persistent national concerns in the United States, mainly because housing costs are the biggest item in most household budgets. Urban sprawl has been proved by some studies to be a driver of housing affordability. Previous studies, however, were structurally flawed because they considered only costs directly related to housing and ignored the transportation costs associated with a remote location.

The H+T affordability index built on the analysis and theory of the location-efficient mortgage, a lending product that was developed by a group of researchers for Fannie Mae in 2000. The location-efficient mortgage was introduced in three regions; it was very similar to the H+T affordability index in that it combined the costs of housing and transportation and presumed that homebuyers could afford a bigger mortgage if they chose a neighborhood near public transit where they could realize significant savings on transportation.

The cost of housing per square foot is almost always higher in compact areas compared with sprawling ones. This result is also to be expected. From the National Association of Realtors' housing affordability index, housing is most expensive in the most compact metropolitan areas, such as the New York and San Francisco areas, and more expensive in highly accessible parts of metropolitan areas.

However, recent studies have shown that the average percentage of income spent on transportation is smaller in compact neighborhoods in comparison to sprawling areas. Shorter travel distances and a wider range of low-cost travel options mean that individuals and families in these places spend a smaller portion of their household budget on transportation.

Perhaps the most notable finding is that the combined cost of housing and transportation declines as the compactness score rises. As metropolitan compactness increases, transportation costs decline faster than housing costs rise, causing a net decline in household costs. A 1% increase in compactness score is associated with a 0.034% decrease in H+T costs.<sup>35</sup>

This finding underlies the case for transit-oriented development (TOD). A TOD is a mixed-use community within an average 2,000-foot [0.38-mile] walking distance of a transit stop and a core commercial area. TODs mix residential, retail, office, open space, and public uses in a walkable environment, making it convenient for residents and employees to travel by transit,

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<sup>34</sup> Tighe

<sup>35</sup> Hamid and Ewing, “Is Sprawl Affordable for Americans? exploring the association Between Housing and transportation affordability and urban Sprawl” Journal of the Transportation Research Board, No. 2500, Transportation Research Board, Washington, D.C., 2015, pp. 75–79. DOI: 10.3141/2500-09

bicycle, foot or car. Homebuyers in such developments can sometimes be approved for larger mortgage amounts because they will face lower transportation costs. In addition, a portion of units in TODs may be reserved specifically for low- and moderate-income families.

### How the strategy is administered and funded

Private developers, transit agencies, or local government entities can initiate TOD projects. Local governments provide incentives for developers to undertake TOD projects and to include affordable units in the development. Also, community groups can negotiate agreements with developers or government agencies to ensure that TOD projects provide affordable housing meanwhile some private developers have specifically designed TOD to create affordable housing units. These kinds of projects may be funded by state and/or local general revenues, donations, private financing, federal funding, tax increment financing, or a combination of any of the above.

### Where the strategy is used in Utah

Salt Lake City, South Salt Lake, Provo, Ogden, Sandy and Lehi have some sort of recommendations or programs for providing affordable housing near TRAX or FrontRunner stations. For example, recently, the City Council adopted the Sandy Civic Center Area 30-Year Development Plan that addresses a roughly 800-acre area between I-15 and TRAX, 9000 South and 10600 South. This plan lays the groundwork for increased residential density and mixed-use projects that will be located near multiple forms of transportation, retail, dining, and entertainment venues. The plan provides for both rental and ownership opportunities.

Until the last session of the Utah legislature, state law capped the number of TODs that UTA could enter into with local governments. This cap was removed in the 2020 Session by Senate Bill 150. Still, TODs often result in increased land value and market desirability which in turn drives up the cost of the housing. We do not know at this point whether the higher housing costs are more than offset by lower transportation costs, but the Metropolitan Research Center has an ongoing study to find out, titled “Is Transit-Oriented Development Affordable for Low and Moderate Income Households (in terms of H+T)?”

Senate Bill 34, enacted in the 2019 Session of the Utah Legislature, addresses the integration of housing and transportation. It requires “a municipality that has access to a major transit investment corridor (to address) the municipality's plan for residential and commercial development around major transit investment corridors to maintain and improve the connections between housing, employment, education, recreation, and commerce,”

### Where the strategy is used outside of Utah

There are several cities producing TODs with a focus on affordable housing. Such as: San Jose, Las Vegas, Redmond, Arlington, and Los Angeles. For instance, Los Angeles developed a mixed-income pedestrian friendly community on 22 acres in NoHo Commons at the North Hollywood Red Line subway station. The development features 162 affordable housing units, including 28 units for very low-income, 80 low income units, and 54 moderate-income units

## Sources of information about the strategy

- Hamidi and Ewing, “Is Sprawl Affordable for Americans? exploring the association Between Housing and Transportation Affordability and Urban Sprawl”*Journal of the Transportation Research Board*, No. 2500, Transportation Research Board, Washington, D.C., 2015, pp. 75–79. DOI: 10.3141/2500-09
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- South Salt Lake City (2009), *General Plan* (source: [http://www.southsaltlakecity.com/uploads/documents/General\\_Plan.pdf](http://www.southsaltlakecity.com/uploads/documents/General_Plan.pdf))
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## Conclusion

With the rising population in Utah, the ability for households to afford housing has become critical for the overall economic prosperity of the region. As described on this monograph, the proportion of households paying more than 30 percent towards housing has increased dramatically in Utah. Being cost burdened has detrimental consequences for households as they are unable to pay for basic necessities such as food, clothing, transportation, education, and health care.

This memo has presented about two dozen strategies designed to alleviate the cost burden that renters and home owners experience. The memo has addressed, as comprehensively as possible, potential financial, policy, and other tools that local jurisdictions (cities, towns, and counties) in Utah can use to meet the affordable housing needs of both homeowners and renters. First, the report looked at financial tools such as, Waiving/Reducing Impact Fees, Tax Abatement, Tax Increment Financing (TIF) Reimbursements, and so on. Second, the policy tools available to planners were discussed—form-based codes, inclusionary housing, density bonuses, to mention a few. Finally, what we labelled here as social programs—such as, employer-assisted housing—were investigated.

Based on the overview given above, we believe that political will matters. Governments, banks, financial counselors, and lenders should come together to play a positive role in ameliorating the problems that have resulted from the housing crisis. There are many technical solutions that we have presented here. But, perhaps, one of the most important practice that could be implemented is the education of experienced professionals including planners, city councilors, and planning commissioners. We hope that this monograph will be used by the different actors responsible for public decision making. Moreover, we hope that this guide will be shared among citizen planners, residents, and community leaders so they encourage government agencies to develop an appropriate system that promotes some of the affordable housing policies presented in this guide.



# Affordable Housing Strategies

State-of-the-Practice in Ten Utah Cities